



ANNUAL REPORT 2016

YEAR ENDED MARCH 31, 2016

ICOM INCORPORATED

Financial Highlights

ICOM INCORPORATED AND SUBSIDIARIES

Years ended March 31, 2016, 2015 and 2014

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Net sales	¥ 26,875	¥ 26,399	¥ 26,283	\$ 238,529
Operating income	2,368	2,501	2,205	21,017
Income before income taxes	2,349	2,992	3,369	20,848
Net income	1,660	2,115	2,238	14,733
Net income attributable to owners of parent	1,660	2,115	2,238	14,733
Total assets	¥ 59,201	¥ 58,660	¥ 56,458	\$ 525,437
Amounts per share:	Yen			U.S. dollars
	2016	2015	2014	2016
Net assets	¥ 3,613.66	¥ 3,637.17	¥ 3,468.01	\$ 32.07
Net income – basic	112.03	142.72	151.02	0.99
Net income – diluted	—	—	—	—
Cash dividends	36.00	35.00	30.00	0.32

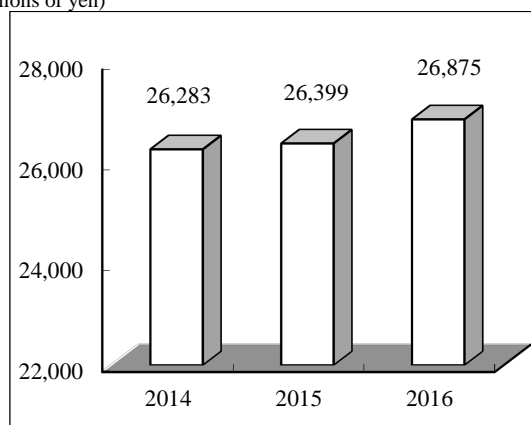
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥112.67 = U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

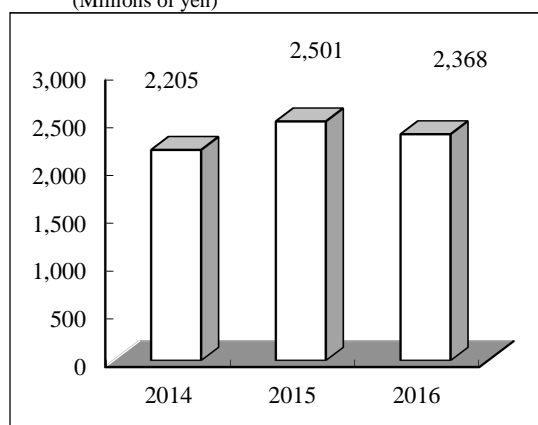
Net Sales

(Millions of yen)



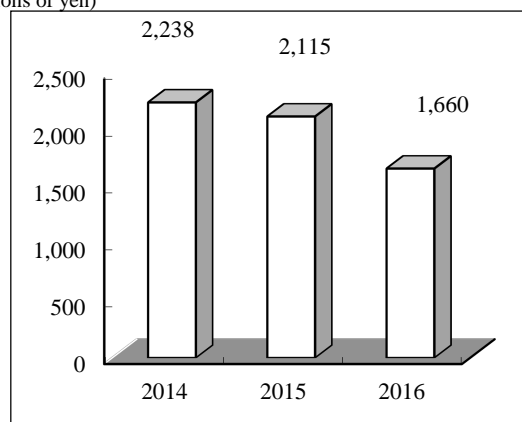
Operating Income

(Millions of yen)



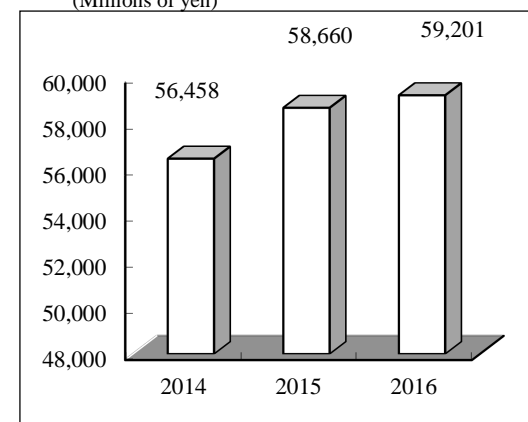
Net Income attributable to owners of parent

(Millions of yen)



Total Assets

(Millions of yen)



Operating Highlights

GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2016 and 2015

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income (loss)
	2016	2015	2016	2015	2016	2016
Japan	¥ 23,129	¥ 23,061	¥ 2,209	¥ 2,627	\$ 205,281	\$ 19,606
North America	8,879	8,857	10	122	78,806	89
Europe	1,091	1,053	(5)	(33)	9,683	(45)
Asia & Oceania	1,310	1,545	(33)	26	11,627	(293)
Eliminations	(7,534)	(8,117)	187	(241)	(66,868)	1,660
Consolidated total	¥ 26,875	¥ 26,399	¥ 2,368	¥ 2,501	\$ 238,529	\$ 21,017

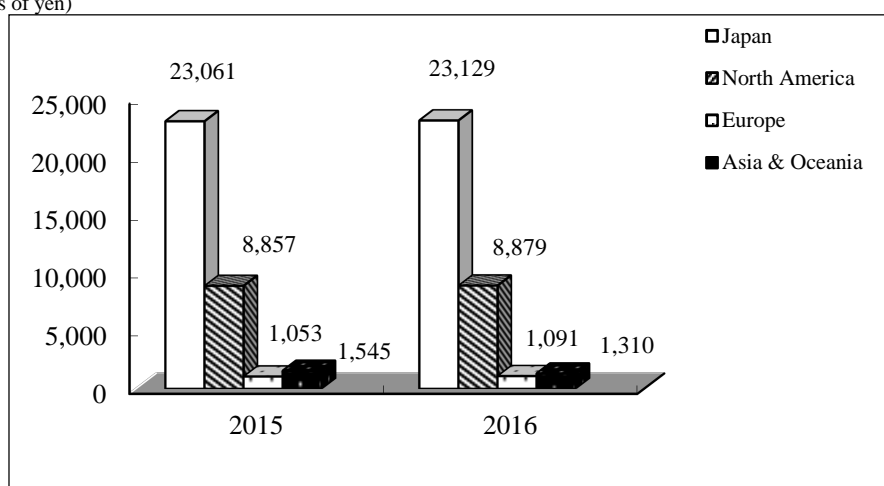
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥112.67 = U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

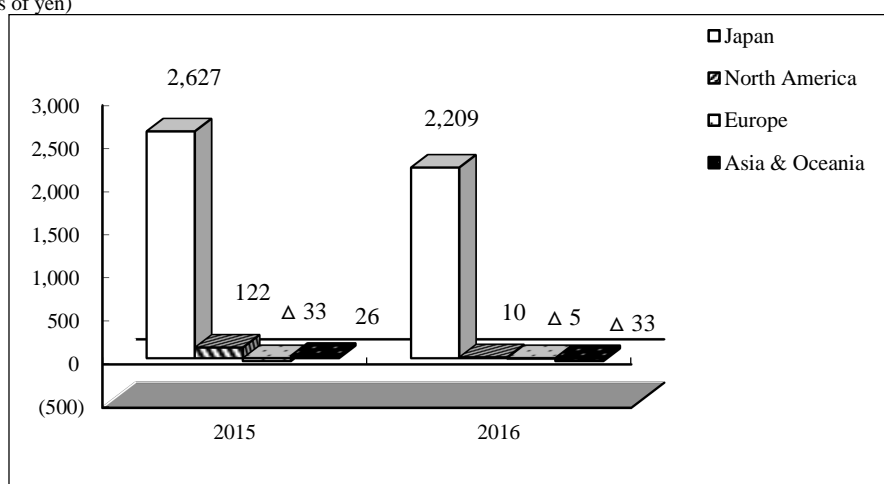
Net Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



Operating Highlights

OVERSEAS SALES

Years ended March 31, 2016 and 2015

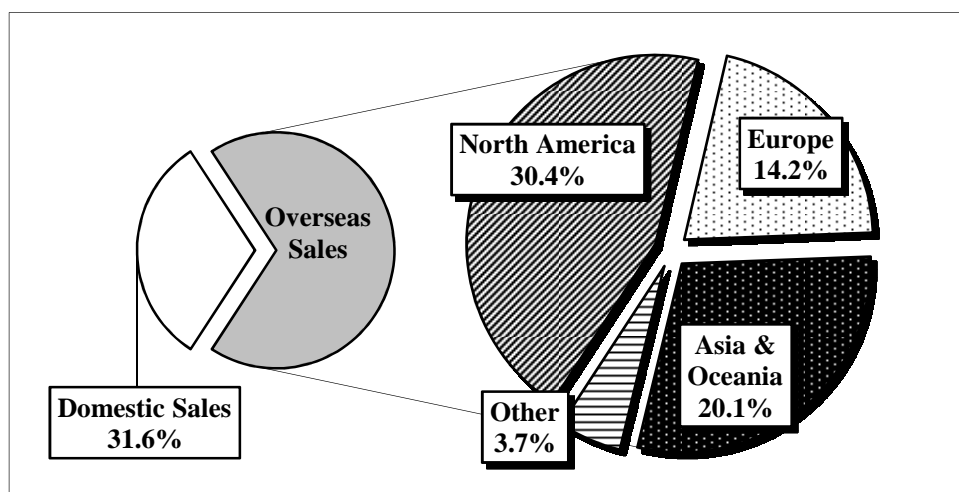
	Millions of yen				Thousands of U.S. dollars	
	2016 (Unaudited)		2015		2016 (Unaudited)	
North America	¥ 8,130	30.2%	¥ 8,000	30.4%	\$ 72,158	
Europe	3,790	14.1	3,748	14.2	33,638	
Asia & Oceania	5,266	19.6	5,316	20.1	46,738	
Other	849	3.2	982	3.7	7,535	
Overseas total	18,035	67.1	18,046	68.4	160,069	
Domestic total	8,840	32.9	8,353	31.6	78,460	
Consolidated total	¥ 26,875	100.0%	¥ 26,399	100.0%	\$ 238,529	

Notes:

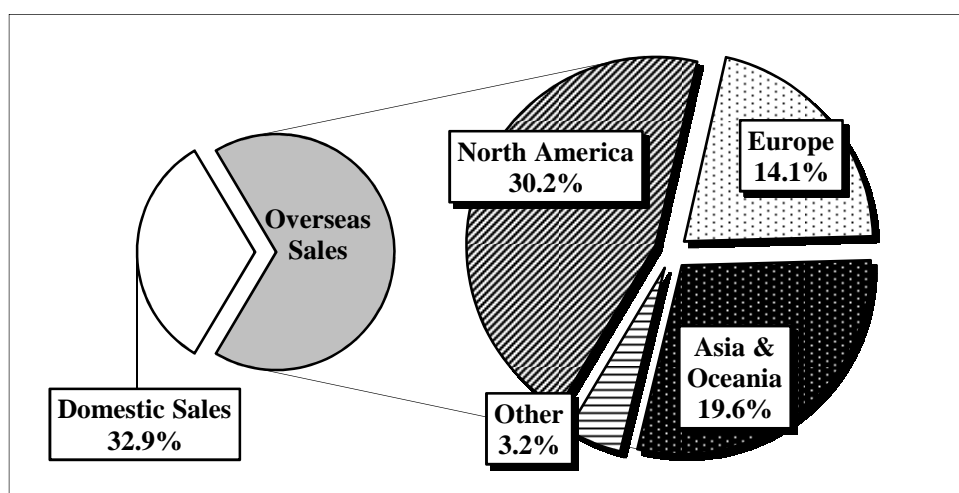
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥112.67 = U.S.\$1.00, the exchange rate prevailing on March 31, 2016.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

Net Sales 2015



Net Sales 2016



ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Assets	2016	2015	2016
Current assets:			
Cash and deposits (<i>Notes 3 and 4</i>)	¥ 32,986	¥ 31,937	\$ 292,766
Marketable securities (<i>Notes 3, 4 and 5</i>)	401	100	3,559
Notes and accounts receivable (<i>Note 4</i>)	5,144	4,594	45,655
Allowance for doubtful accounts	(28)	(33)	(248)
	<u>5,116</u>	<u>4,561</u>	<u>45,407</u>
Inventories (<i>Note 6</i>)	6,379	6,545	56,617
Deferred income taxes (<i>Note 8</i>)	512	638	4,544
Other current assets	1,436	1,585	12,746
Total current assets	<u>46,830</u>	<u>45,366</u>	<u>415,639</u>
 Property, plant and equipment:			
Land	4,152	4,174	36,851
Buildings and structures	6,808	6,869	60,424
Machinery and equipment	12,577	12,320	111,627
Vehicles and other	204	215	1,810
Construction in progress	10	14	89
Property, plant and equipment, at cost	<u>23,751</u>	<u>23,592</u>	<u>210,801</u>
Less accumulated depreciation	(15,883)	(15,498)	(140,969)
Property, plant and equipment, net (<i>Note 13</i>)	<u>7,868</u>	<u>8,094</u>	<u>69,832</u>
 Investments and other assets:			
Investments in securities (<i>Notes 4 and 5</i>)	3,074	2,263	27,283
Other investments	792	2,692	7,029
Deferred income taxes (<i>Note 8</i>)	629	255	5,583
Intangible assets (<i>Note 13</i>)	63	52	559
Allowance for doubtful accounts	(55)	(62)	(488)
Total investments and other assets	<u>4,503</u>	<u>5,200</u>	<u>39,966</u>
Total assets (<i>Note 13</i>)	<u>¥ 59,201</u>	<u>¥ 58,660</u>	<u>\$ 525,437</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Liabilities and net assets	2016	2015	2016
Current liabilities:			
Accounts payable - trade (Note 4)	¥ 1,328	¥ 1,178	\$ 11,787
Accounts payable - other	632	603	5,609
Accrued income taxes (Note 8)	217	513	1,926
Deferred income taxes (Note 8)	1	2	9
Accrued expenses	665	147	5,902
Accrued bonuses	458	447	4,065
Warranty reserves	48	69	426
Other current liabilities	123	766	1,092
Total current liabilities	<u>3,472</u>	<u>3,725</u>	<u>30,816</u>
Long-term liabilities:			
Deferred income taxes (Note 8)	140	233	1,243
Liability for retirement benefits (Note 7)	1,451	180	12,878
Other long-term liabilities	591	626	5,245
Total long-term liabilities	<u>2,182</u>	<u>1,039</u>	<u>19,366</u>
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized – 34,000,000 shares;			
Issued – 14,850,000 shares in 2016 and 2015	7,081	7,081	62,847
Capital surplus	10,449	10,449	92,740
Retained earnings (Note 15)	36,128	35,031	320,653
Less treasury stock, at cost:			
32,083 shares in 2016 and 31,783 shares in 2015	(104)	(103)	(923)
Total shareholders' equity	<u>53,554</u>	<u>52,458</u>	<u>475,317</u>
Accumulated other comprehensive (loss) income (Note 11):			
Net unrealized holding gain on securities (Note 5)	20	17	178
Translation adjustments	396	903	3,514
Retirement benefit liability adjustments (Note 7)	(423)	518	(3,754)
Total accumulated other comprehensive (loss) income	<u>(7)</u>	<u>1,438</u>	<u>(62)</u>
Total net assets	<u>53,547</u>	<u>53,896</u>	<u>475,255</u>
Total liabilities and net assets	<u>¥ 59,201</u>	<u>¥ 58,660</u>	<u>\$ 525,437</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Income

Year ended March 31, 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2016	2015	2016
Net sales (Note 13)	¥ 26,875	¥ 26,399	\$ 238,529
Cost of sales (Notes 6 and 13)	15,035	14,558	133,443
Gross profit	11,840	11,841	105,086
Selling, general and administrative expenses (Notes 10 and 13)	9,472	9,340	84,069
Operating income (Note 13)	2,368	2,501	21,017
Other income (expenses):			
Interest and dividend income	182	200	1,615
Gain on sales of investment in securities, net (Note 5)	9	9	80
Foreign exchange (loss) gain, net	(77)	376	(684)
Gain on sales of property, plant and equipment	1	7	9
Sales discounts	(175)	(175)	(1,553)
Other, net	41	74	364
	(19)	491	(169)
Profit before income taxes	2,349	2,992	20,848
Income taxes (Note 8):			
Current	590	894	5,236
Deferred	99	(17)	879
	689	877	6,115
Profit	¥ 1,660	¥ 2,115	\$ 14,733
Profit attributable to owners of parent (Note 12)	¥ 1,660	¥ 2,115	\$ 14,733

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
**Consolidated Statement of
Comprehensive Income**

Year ended March 31, 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2016	2015	2016
Profit	¥ 1,660	¥ 2,115	\$ 14,733
Other comprehensive (loss) income (Note 11):			
Net unrealized holding gain on securities	3	51	27
Translation adjustments	(507)	470	(4,500)
Retirement benefit liability adjustments	(941)	314	(8,352)
Total other comprehensive (loss) income	(1,445)	835	(12,825)
Comprehensive income	¥ 215	¥ 2,950	\$ 1,908
Total comprehensive income attributable to: Owners of parent	¥ 215	¥ 2,950	\$ 1,908

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
**Consolidated Statement of
Changes in Net Assets**

Year ended March 31, 2016

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2014	14,850,000	¥ 7,081	¥ 10,449	¥ 33,360	¥ (103)	¥ (34)	¥ 433	¥ 204	¥ 51,390
Profit attributable to owners of parent for the year	—	—	—	2,115	—	—	—	—	2,115
Cash dividends	—	—	—	(444)	—	—	—	—	(444)
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	(0)
Other changes	—	—	—	—	—	51	470	314	835
Balance at April 1, 2015	14,850,000	¥ 7,081	¥ 10,449	¥ 35,031	¥ (103)	¥ 17	¥ 903	¥ 518	¥ 53,896
Profit attributable to owners of parent for the year	—	—	—	1,660	—	—	—	—	1,660
Cash dividends	—	—	—	(563)	—	—	—	—	(563)
Purchases of treasury stock	—	—	—	—	(1)	—	—	—	(1)
Other changes	—	—	—	—	—	3	(507)	(941)	(1,445)
Balance at March 31, 2016	14,850,000	¥ 7,081	¥ 10,449	¥ 36,128	¥ (104)	¥ 20	¥ 396	¥ (423)	¥ 53,547

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2015	\$ 62,847	\$ 92,740	\$ 310,917	\$ (914)	\$ 151	\$ 8,014	\$ 4,598	\$ 478,353
Profit attributable to owners of parent for the year	—	—	14,733	—	—	—	—	14,733
Cash dividends	—	—	(4,997)	—	—	—	—	(4,997)
Purchases of treasury stock	—	—	—	(9)	—	—	—	(9)
Other changes	—	—	—	—	27	(4,500)	(8,352)	(12,825)
Balance at March 31, 2016	\$ 62,847	\$ 92,740	\$ 320,653	\$ (923)	\$ 178	\$ 3,514	\$ (3,754)	\$ 475,255

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended March 31, 2016

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2016	2015	2016
Operating activities:			
Profit before income taxes	¥ 2,349	¥ 2,992	\$ 20,848
Adjustments for:			
Depreciation and amortization	892	866	7,917
Interest and dividend income	(182)	(200)	(1,615)
Foreign exchange loss, net	129	33	1,145
Increase in notes and accounts receivable	(674)	(77)	(5,982)
Increase in inventories	(10)	(271)	(89)
Increase (decrease) in accounts payable – trade	250	(246)	2,219
Other, net	(24)	(198)	(213)
Subtotal	2,730	2,899	24,230
Income taxes paid	(923)	(796)	(8,192)
Net cash provided by operating activities	1,807	2,103	16,038
Investing activities:			
Decrease (increase) in time deposits with original maturities in excess of three months	2,816	(567)	24,993
Redemption of marketable securities	100	–	887
Purchases of property, plant and equipment	(680)	(796)	(6,035)
Purchases of intangible assets	(47)	(33)	(417)
Purchases of investments in securities	(1,330)	(209)	(11,804)
Proceeds from sales and redemption of investments in securities	121	321	1,074
Interest and dividend income received	181	200	1,606
Other, net	1,823	(9)	16,180
Net cash provided by (used in) investing activities	2,984	(1,093)	26,484
Financing activities:			
Purchases of treasury stock	(1)	(0)	(9)
Cash dividends paid	(563)	(444)	(4,997)
Net cash used in financing activities	(564)	(444)	(5,006)
Effect of exchange rate changes on cash and cash equivalents	(242)	224	(2,147)
Net increase in cash and cash equivalents	3,985	790	35,369
Cash and cash equivalents at beginning of year	28,210	27,420	250,377
Cash and cash equivalents at end of year (Note 3)	¥ 32,195	¥ 28,210	\$ 285,746

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2016

1. Basis of Preparation

The accompanying consolidated financial statements of ICOM INCORPORATED (the “Company”) and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan. Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2015 to the 2016 presentation. Such reclassifications had no effect on consolidated net income or net assets.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥112.67 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2016. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the companies which it controls directly or indirectly. Two companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized intercompany gains and losses among the Company and the subsidiaries have been entirely eliminated.

The financial statements of certain consolidated subsidiary whose fiscal year end is December 31 has been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

(b) Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(c) Foreign currency translation

The balance sheet accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Adjustments resulting from translating accounts denominated in foreign currencies are not included in the determination of profit in the accompanying consolidated financial statements, but are reported as “Translation adjustments,” a component of net assets.

Revenue and expense accounts are translated at the average rates of exchange in effect during the year.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. Gain or loss on each translation is credited or charged to income.

(d) Marketable securities and investments in securities

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Securities held by the Company and its subsidiaries including equity investments in an affiliate, which are not accounted for on an equity basis, are all classified as “other securities” and have been accounted for as outlined above.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(e) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market, cost being determined by the moving average method.

(f) Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on April 1, 1998 and thereafter. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are depreciated by the straight-line method over a three-year period.

(g) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan. Expenditures related to the development of computer software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of 3 or 5 years. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are amortized by the straight-line method over a three-year period.

(h) Leased assets

Leased assets are depreciated by the straight-line method over respective lease periods with no residual value.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the historical ratio of bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(j) Accrued bonuses

Accrued bonuses are calculated based on the estimated amount to be paid to employees after the balance sheet date, which are attributable to the current fiscal year.

(k) Warranty reserves

Warranty reserves for certain overseas subsidiaries are calculated based on the historical ratio of the cost of repairs of the products against net sales.

(l) Liability for retirement benefits

Liability for retirement benefits is provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is within the average remaining years of service of eligible employees.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) Hedge accounting

The Company utilizes derivative transactions in order to manage the risks arising from adverse fluctuation in foreign currency exchange rates. In accordance with internal management rules, the Company enters into forward foreign exchange contracts which fall within the Company's foreign currency or foreign currency receivables holding limits. Derivative transactions are not entered into for speculative purposes.

Under the accounting standard for financial instruments, gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Forward foreign exchange contracts which meet certain conditions are accounted for by a method under which the foreign currency deposits and receivables are translated at their corresponding forward foreign exchange contract rates.

The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company assumes that movements in cash flows are completely offset.

(n) Distribution of retained earnings

Under the Companies Act. of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to interim financial periods is made by resolution of the Board of Directors. (Please refer to Note 15.)

(Changes in Accounting Policies)

Accounting Standard for Business Combinations

The Company adopted "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No.21 issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 issued on September 13, 2013).

Under these revised accounting standards, the presentation method of net income was amended. The consolidated financial statements for the previous year have been reclassified to reflect these changes in presentation.

(Standards Issued but Not Yet Effective)

Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2016, the ASBJ issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26).

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(2) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised implementation guidance

There will be no impact on the Company's consolidated financial statement as a result of adopting the revised implementation guidance.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Cash and Cash Equivalents

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2016 and 2015 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Cash and deposits	¥ 32,986	¥ 31,937	\$ 292,766
Marketable securities	401	100	3,559
Subtotal	¥ 33,387	¥ 32,037	\$ 296,325
Time deposits with original maturities in excess of three months	(791)	(3,727)	(7,020)
Marketable securities with original maturities in excess of three months	(401)	(100)	(3,559)
Cash and cash equivalents	¥ 32,195	¥ 28,210	\$ 285,746

4. Financial Instruments

(1) General information

i) Policy for financial instruments

In consideration of plans for capital investment, which is mainly centered on radio manufacturing and sales, the Group obtains necessary financing through its own funds. The Group manages surplus funds through financial assets that have high levels of liquidity. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

ii) Types of financial instruments and related risk

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange rate fluctuation risk arising from trade receivables denominated in foreign currencies.

Marketable securities and investments in securities are exposed to market risk. Those securities are composed of mainly corporate bonds in other securities and the shares of common stock of other companies with which it has business relationships. Fair values of those securities are periodically reviewed and reported to board of directors meetings.

Most of Trade accounts payable have payment due dates within two months. The Group is exposed to foreign currency exchange rate fluctuation risk arising from those denominated in foreign currencies.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange rate fluctuation risk arising from cash and deposits and receivables denominated in foreign currencies. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in “(m) Hedge accounting” in Note 2 “Summary of Significant Accounting Policies”.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(1) General information (continued)

iii) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from trade receivables, the credit department monitors credit worthiness of main customers periodically, in principle, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to identify and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with the internal policies for security management, the Group only acquires corporate bonds or other securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For cash and deposits denominated in foreign currencies, in principle, for a portion of receivables denominated in foreign currencies, the Group identifies the foreign currency exchange risk by each currency and enters into forward foreign exchange contracts to hedge such risk.

For marketable securities and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities should be maintained taking into account their fair values and the relationships with the issuers.

For derivative transactions, the accounting department of the Company enters into and manages transactions, and a representative director, in advance, approves them within the limits reported at the Board of Directors meeting. Results of derivative transactions are reported at the monthly Board of Directors meetings. The consolidated subsidiaries do not enter into derivative transactions.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)

Based on reports from each division, the accounting department of the Company prepares and updates its cash flow plans on a timely basis and maintains liquidity of assets for payment to manage liquidity risk. The consolidated subsidiaries monitor liquidity risk in the same manner.

iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gain (loss) of the financial instruments on the consolidated balance sheets at March 31, 2016 and 2015 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii below).

<i>Millions of yen</i>								
			2016			2015		
			Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Assets								
(1)	Cash and deposits		¥ 32,986	¥ 32,986	¥ –	¥ 31,937	¥ 31,937	¥ –
(2)	Notes and accounts receivable		5,144	5,144	–	4,594	4,594	–
(3)	Marketable securities and investments in securities		3,227	3,227	–	2,159	2,159	–
	Total assets		¥ 41,357	¥ 41,357	¥ –	¥ 38,690	¥ 38,690	¥ –
Liabilities								
(1)	Accounts payable - trade		¥ 1,328	¥ 1,328	¥ –	¥ 1,178	¥ 1,178	¥ –
	Total liabilities		¥ 1,328	¥ 1,328	¥ –	¥ 1,178	¥ 1,178	¥ –

Thousands of U.S. dollars			
2016			
	Carrying value	Fair value	Unrealized gain (loss)
Assets			
(1) Cash and deposits	\$ 292,766	\$ 292,766	\$ –
(2) Notes and accounts receivable	45,655	45,655	–
(3) Marketable securities and investments in securities	28,641	28,641	–
Total assets	<u>\$ 367,062</u>	<u>\$ 367,062</u>	<u>\$ –</u>
Liabilities			
(1) Accounts payable - trade	\$ 11,787	\$ 11,787	\$ –
Total liabilities	<u>\$ 11,787</u>	<u>\$ 11,787</u>	<u>\$ –</u>

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(2) Estimated fair value of financial instruments (continued)

Notes:

i) Methods to determine the fair value of financial instruments are as follows:

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximate the fair value.

(3) Marketable securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities. For information on securities classified by holding purpose, please refer to Note 5.

Liabilities

(1) Accounts payable - trade

Since this item is settled in a short period of time, its carrying value approximates the fair value.

ii) Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Unlisted equity securities	¥ 248	¥ 204	\$ 2,201

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, they are not included in above “(3) Marketable securities and investments in securities” in the preceding table in “(2) Estimated fair value of financial instruments.”

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(3) Redemption schedule

The redemption schedule for financial instruments receivable and marketable securities and investments in securities with maturity dates is summarized as follows:

<i>Millions of yen</i>									
2016					2015				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years		Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 32,986	¥ —	¥ —	¥ —		¥ 31,937	¥ —	¥ —	¥ —
Notes and accounts receivable	5,144	—	—	—		4,594	—	—	—
Marketable securities and investments in securities:									
Other securities with maturity dates									
Corporate bonds	400	300	1,000	1,100		100	700	900	100
Other	—	100	—	—		—	100	—	—
Total	¥ 38,530	¥ 400	¥ 1,000	¥ 1,100		¥ 36,631	¥ 800	¥ 900	¥ 100

<i>Thousands of U.S. dollars</i>				
2016				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 292,766	\$ —	\$ —	\$ —
Notes and accounts receivable	45,655	—	—	—
Marketable securities and investments in securities:				
Other securities with maturity dates				
Corporate bonds	3,550	2,663	8,875	9,763
Other	—	887	—	—
Total	\$ 341,971	\$ 3,550	\$ 8,875	\$ 9,763

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at March 31, 2016 and 2015 are summarized as follows:

	<i>Millions of yen</i>					
	2016			2015		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 37	¥ 11	¥ 26	¥ 230	¥ 193	¥ 37
Corporate bonds	2,824	2,755	69	1,720	1,700	20
Subtotal	2,861	2,766	95	1,950	1,893	57
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	257	319	(62)	108	136	(28)
Corporate bonds	109	111	(2)	101	102	(1)
Subtotal	366	430	(64)	209	238	(29)
Total	¥ 3,227	¥ 3,196	¥ 31	¥ 2,159	¥ 2,131	¥ 28

	<i>Thousands of U.S. dollars</i>		
	2016		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 328	\$ 98	\$ 230
Corporate bonds	25,065	24,452	613
Subtotal	25,393	24,550	843
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	2,281	2,831	(550)
Corporate bonds	967	985	(18)
Subtotal	3,248	3,816	(568)
Total	\$ 28,641	\$ 28,366	\$ 275

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, unlisted equity securities of ¥248 million (\$2,201 thousand) and ¥204 million at March 31, 2016 and 2015, respectively, are not included in the above table.

Sales of other securities for the years ended March 31, 2016 and 2015 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
	¥	¥	\$
Sales	19	218	169
Aggregate gain	9	9	80

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Inventories

Inventories at March 31, 2016 and 2015 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Merchandise and finished products	¥ 3,366	¥ 3,567	\$ 29,875
Work in process	213	69	1,890
Raw materials and supplies	2,800	2,909	24,852
Total	¥ 6,379	¥ 6,545	\$ 56,617

Cost of sales included loss on devaluation of inventories of ¥106 million (\$941 thousand) and ¥48 million for the years ended March 31, 2016 and 2015, respectively.

7. Retirement Benefits Plans

(1) Outline of retirement benefits for employees

The Company and its domestic subsidiaries have employees' defined benefit pension plans, i.e., corporate pension plans and lump-sum payment plans.

The Company and its domestic subsidiaries pay additional retirement benefits to employees under certain circumstances.

Certain consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method. Under the simplified method retirement benefit obligation has been calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

(2) Liability for retirement benefits for the years ended March 31, 2016 and 2015

- i) The changes in retirement benefit obligation are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Retirement benefit obligation at beginning of year	¥ 4,045	¥ 3,830	\$ 35,901
Service cost	166	167	1,473
Interest cost	81	77	719
Actuarial loss	1,088	27	9,657
Retirement benefits paid	(53)	(56)	(470)
Retirement benefit obligation at end of year	¥ 5,327	¥ 4,045	\$ 47,280

- ii) The changes in plan assets at fair value are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Plan assets at fair value at beginning of year	¥ 4,156	¥ 3,433	\$ 36,886
Expected return on plan assets	83	69	737
Actuarial (loss) gain	(280)	419	(2,485)
Contributions by the employer	302	291	2,680
Retirement benefits paid	(53)	(56)	(470)
Plan assets at fair value at end of year	¥ 4,208	¥ 4,156	\$ 37,348

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2016 and 2015 (continued)

iii) The changes in retirement benefits obligation calculated by simplified method are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Retirement benefit obligation at beginning of year	¥ 291	¥ 253	\$ 2,583
Retirement benefits expenses	46	44	408
Retirement benefits paid	(5)	(6)	(45)
Retirement benefit obligation at end of year	¥ 332	¥ 291	\$ 2,946

iv) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in the consolidated balance sheets are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Funded retirement benefit obligation	¥ 5,327	¥ 4,045	\$ 47,280
Plan assets at fair value	(4,208)	(4,156)	(37,348)
	1,119	(111)	9,932
Unfunded retirement benefit obligation	332	291	2,946
Net amount of liabilities and assets recognized in consolidated balance sheets	1,451	180	12,878
Liability for retirement benefits	1,451	180	12,878
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 1,451	¥ 180	\$ 12,878

v) The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Service cost	¥ 212	¥ 211	\$ 1,881
Interest cost	81	77	719
Expected return on plan assets	(83)	(69)	(737)
Amortization:			
Actuarial (gain) loss	(6)	38	(53)
Past service cost	–	(2)	–
Net retirement benefit obligation at transition	–	20	–
Retirement benefit expenses	¥ 204	¥ 275	\$ 1,810

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2016 and 2015 (continued)

- vi) The components of retirement benefit liability adjustments included in other comprehensive (loss) income before tax effects are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Actuarial (loss) gain	¥ (1,374)	¥ 430	\$ (12,195)
Past service cost	—	(2)	—
Net retirement benefit obligation at transition	—	20	—
	¥ (1,374)	¥ 448	\$ (12,195)

- vii) The balance of retirement benefit liability adjustments recognized in accumulated other comprehensive (loss) income before tax effects is outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Unrecognized actuarial (loss) gain	¥ (609)	¥ 765	\$ (5,405)
Total	¥ (609)	¥ 765	\$ (5,405)

- viii) The plan assets by major category consist of the following:

	2016	2015
Bonds	52.0%	45.0%
Equities	46.0%	53.0%
Cash and deposits	2.0%	2.0%
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is has been estimated based on the consideration of both the portfolio allocation to each class at present and in the future and long-term expected rate of return from plan assets held in each category at present and in the future.

- ix) The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Discount rates	0.8%	2.0%
Expected long-term rate of return on plan assets	2.0%	2.0%
Expected rates of compensation increases	1.6%	1.7%

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rates of approximately 33.0% and 35.6% for the years ended March 31, 2016 and 2015, respectively. The overseas subsidiaries are subject to income taxes of the respective countries in which they operate.

Reconciliations of the statutory tax rates and effective tax rate for the years ended March 31, 2016 and 2015 as a percentage of profit before income taxes are as follows:

	<u>2016</u>	<u>2015</u>
Statutory tax rates	33.0%	35.6%
Permanently non-deductible expense such as entertainment expense	0.6	0.5
Per capita portion of inhabitants' taxes	0.9	0.7
Tax credit for research and development costs	(7.0)	(9.0)
Differences in tax rates applicable to overseas subsidiaries	(0.4)	(0.4)
Effect of changes in corporate tax rates	1.5	2.3
Tax valuation allowance	–	(0.4)
Other	0.7	(0)
Effective tax rate	<u>29.3%</u>	<u>29.3%</u>

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2016</u>	<u>2015</u>	<u>2016</u>
Deferred tax assets:			
Unrealized gain on inventories	¥ 270	¥ 354	\$ 2,396
Long-term accounts payable - other	155	163	1,376
Accrued bonuses	140	146	1,243
Deferred revenue	37	59	328
Liability for retirement benefits	441	56	3,914
Accrued enterprise tax	25	53	222
Allowance for doubtful accounts	25	30	222
Write down of investments in securities	23	25	204
Accrued legal welfare expense on bonuses	21	22	186
Net operating loss carryforward	85	–	754
Other	98	113	871
Gross deferred tax assets	<u>1,320</u>	1,021	<u>11,716</u>
Valuation allowance	<u>(41)</u>	(44)	<u>(365)</u>
Total deferred tax assets	<u>1,279</u>	<u>977</u>	<u>11,351</u>
Deferred tax liabilities:			
Gain on sales of property, plant and equipment	(236)	(252)	(2,095)
Depreciation	(30)	(43)	(266)
Accrued interest	(1)	(10)	(9)
Reserve for special depreciation	(1)	(3)	(9)
Other	(11)	(11)	(97)
Total deferred tax liabilities	<u>(279)</u>	<u>(319)</u>	<u>(2,476)</u>
Net deferred tax assets	<u>¥ 1,000</u>	<u>¥ 658</u>	<u>\$ 8,875</u>

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Income Taxes (continued)

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.15, 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No.13, 2016) were enacted on March 29, 2016. As a result, the effective statutory tax rates used to measure the Company’s deferred tax assets and liabilities were changed from 33.0% used in the previous fiscal year to 30.8% for the temporary differences expected to be realized or settled in the years beginning April 1, 2016 and 2017 and to 30.6% for the temporary differences expected to be realized or settled in the years beginning April 1, 2018.

The effects of the announced reduction of the effective statutory tax rate were to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥45 million (\$399 thousand), and increase deferred income taxes by ¥36 million (\$320 thousand), net unrealized holding gain on securities by ¥0 million (\$0 thousand), and retirement benefit liability adjustments by ¥10 million (\$89 thousand) as of and for the year ended March 31, 2016.

9. Shareholders’ Equity

The Companies Act (the “Act”) provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company’s legal reserve included in retained earnings at March 31, 2016 and 2015 amounted to ¥293 million (\$2,601 thousand).

In addition, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in treasury stock for the years ended March 31, 2016 and 2015 are summarized as follows:

Number of shares				
2016				
	April 1, 2015	Increase	Decrease	March 31, 2016
Shares issued:				
Common stock	14,850,000	—	—	14,850,000
Treasury stock:				
Common stock	31,783	300	—	32,083

Number of shares				
2015				
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock	14,850,000	—	—	14,850,000
Treasury stock:				
Common stock	31,607	176	—	31,783

The increases in treasury stock were due to purchases of shares of less than one voting unit.

10. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Research and development costs	¥ 3,144	¥ 3,095	\$ 27,904

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

11. Other Comprehensive (Loss) Income

Reclassification adjustments and tax effects of other comprehensive (loss) income for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 3	¥ 87	\$ 27
Reclassification adjustments	—	(9)	—
Before tax effects	3	78	27
Tax effects	(0)	(27)	(0)
Net unrealized holding gain on securities	3	51	27
Translation adjustments:			
Amount arising during the year	(507)	470	(4,500)
Retirement benefit liability adjustments:			
Amount arising during the year	(1,368)	392	(12,142)
Reclassification adjustments	(6)	56	(53)
Before tax effects	(1,374)	448	(12,195)
Tax effects	433	(134)	3,843
Retirement benefit liability adjustments	(941)	314	(8,352)
Total other comprehensive (loss) income	¥ (1,445)	¥ 835	\$ (12,825)

12. Amounts Per Share

Amounts per share at March 31, 2016 and 2015 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2016	2015	2016
Net assets	¥ 3,613.66	¥ 3,637.17	\$ 32.07
Profit attributable to owners of parent:			
Basic	112.03	142.72	0.99
Cash dividends	36.00	35.00	0.32

Net assets per share is computed based on net assets and the number of shares of common stock outstanding at the year end.

Basic profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Cash dividends per share represent the cash dividends declared as applicable to the respective fiscal years.

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Notes to Consolidated Financial Statements

13. Segment Information

i) Outline of segment information

The Company's reporting segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors meeting of the Company (the highest management decision making body) in order to allocate management resources and assess performance of operations.

The Company and its subsidiaries are primarily engaged in the manufacture and sale of telecommunications equipment. The subsidiaries are independent business units and formulate comprehensive strategies for products and operate business geographically.

Therefore, the group consists of four segments based on sales by region. The four segments are "Japan," "North America," which primarily includes the United States and Canada; "Europe," which primarily includes Germany and Spain; and "Asia & Oceania," which primarily includes Australia, Taiwan and China.

ii) Calculation methods used for sales, income or loss, assets and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices applied in transactions with third parties.

iii) Information as to sales, income or loss, assets and other items on each reporting segment

Information by reporting segment for the years ended March 31, 2016 and 2015 are as follows:

	<i>Millions of yen</i>						
	2016						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	¥ 16,006	¥ 8,876	¥ 1,091	¥ 902	¥ 26,875	¥ –	¥ 26,875
Intersegment sales	7,123	3	0	408	7,534	(7,534)	–
Net sales	23,129	8,879	1,091	1,310	34,409	(7,534)	26,875
Operating expenses	20,920	8,869	1,096	1,343	32,228	(7,721)	24,507
Operating income (loss)	¥ 2,209	¥ 10	¥ (5)	¥ (33)	¥ 2,181	¥ 187	¥ 2,368
II. Total assets	¥ 52,476	¥ 6,184	¥ 767	¥ 1,825	¥ 61,252	¥ (2,051)	¥ 59,201
III. Other items							
Depreciation and amortization	¥ 778	¥ 98	¥ 6	¥ 10	¥ 892	¥ –	¥ 892
Investments in affiliated companies	85	–	–	–	85	–	85
Increase in property, plant and equipment / intangible fixed assets	731	38	5	5	779	–	779

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Segment Information (continued)

iii) Information as to sales, profit or loss, assets and other items on each reporting segment (continued)

<i>Millions of yen</i>								
2015								
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income (loss)								
Sales to third parties	¥ 15,377	¥ 8,854	¥ 1,053	¥ 1,115	¥ 26,399	¥ –	¥ 26,399	
Intersegment sales	7,684	3	0	430	8,117	(8,117)	–	
Net sales	23,061	8,857	1,053	1,545	34,516	(8,117)	26,399	
Operating expenses	20,434	8,735	1,086	1,519	31,774	(7,876)	23,898	
Operating income (loss)	¥ 2,627	¥ 122	¥ (33)	¥ 26	¥ 2,742	¥ (241)	¥ 2,501	
II. Total assets	¥ 50,127	¥ 7,324	¥ 768	¥ 3,203	¥ 61,422	¥ (2,762)	¥ 58,660	
III. Other Items								
Depreciation and amortization	¥ 760	¥ 88	¥ 7	¥ 11	¥ 866	¥ –	¥ 866	
Investments in affiliated companies	93	–	–	–	93	–	93	
Increase in property, plant and equipment / intangible fixed assets	769	53	6	8	836	–	836	
<i>Thousands of U.S. dollars</i>								
2016								
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income (loss)								
Sales to third parties	\$ 142,061	\$ 78,779	\$ 9,683	\$ 8,006	\$ 238,529	\$ –	\$ 238,529	
Intersegment sales	63,220	27	0	3,621	66,868	(66,868)	–	
Net sales	205,281	78,806	9,683	11,627	305,397	(66,868)	238,529	
Operating expenses	185,675	78,717	9,728	11,920	286,040	(68,528)	217,512	
Operating income (loss)	\$ 19,606	\$ 89	\$ (45)	\$ (293)	\$ 19,357	\$ 1,660	\$ 21,017	
II. Total assets	\$ 465,750	\$ 54,886	\$ 6,807	\$ 16,198	\$ 543,641	\$ (18,204)	\$ 525,437	
III. Other items								
Depreciation and amortization	\$ 6,905	\$ 870	\$ 53	\$ 89	\$ 7,917	\$ –	\$ 7,917	
Investments in affiliated companies	754	–	–	–	754	–	754	
Increase in property, plant and equipment / intangible fixed assets	6,489	337	44	44	6,914	–	6,914	

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

13. Segment Information (continued)

iv) Geographical information

(a) Sales

Sales categorized by country and region based on locations of customers by the Group for the years ended March 31, 2016 and 2015 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Japan	¥ 8,840	¥ 8,353	\$ 78,460
USA	6,864	6,364	60,921
North America (except for USA)	1,266	1,636	11,236
Europe	3,790	3,748	33,638
Asia & Oceania	5,266	5,316	46,738
Other	849	982	7,535
Total	¥ 26,875	¥ 26,399	\$ 238,528

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region at March 31, 2016 and 2015 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Japan	¥ 6,381	¥ 6,441	\$ 56,635
USA	1,283	1,423	11,387
North America (except for USA)	13	18	115
Europe	13	16	115
Asia & Oceania	178	196	1,580
Total	¥ 7,868	¥ 8,094	\$ 69,832

Disclosure of the information by product and service for the years ended March 31, 2015 and 2016 has been omitted as sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income.

Disclosure of the information by major customers for years ended March 31, 2016 and 2015 has been omitted as sales to each customer were less than 10% of consolidated net sales.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Significant Subsidiaries and Affiliates

The Company's subsidiaries and significant affiliates at March 31, 2016 are presented as follows:

Name	Ownership Interest	Country of Incorporation	Subsidiaries/Affiliate
Icom America, Inc.	100.0%	United States of America	Consolidated subsidiary
Icom (Europe) GmbH	100.0%	Germany	Consolidated subsidiary
Icom (Australia) Pty., Ltd.	100.0%	Australia	Consolidated subsidiary
Icom Spain, S.L.	100.0%	Spain	Consolidated subsidiary
Asia Icom Inc.	100.0%	Taiwan	Consolidated subsidiary
PURECOM CO., LTD.	100.0%	China	Consolidated subsidiary
Wakayama Icom Inc.	100.0%	Japan	Consolidated subsidiary
Icom Information Products Inc.	100.0%	Japan	Consolidated subsidiary
Icom America License Holding LLC	100.0%	United States of America	Consolidated sub-subsidiary
ICOM CANADA HOLDINGS INC.	100.0%	Canada	Consolidated sub-subsidiary
ICOM DO BRASIL RADIOCOMUNICACAO LTDA.	100.0%	Brazil	Consolidated sub-subsidiary
Comforce Inc.	49.0%	Japan	Affiliate accounted for by the equity method
Position Co., Ltd.	33.3%	Japan	Affiliate accounted for by the equity method

15. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016, was approved at the Company's general shareholders' meeting held on June 24, 2016:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2016	2015	2016
Cash dividends (¥18 = U.S.\$0.16 per share)	¥ 267	¥ 296	\$ 2,370

Independent Auditor's Report

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shinnihon LLC

June 24, 2016
Osaka, Japan

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue
Chairman and Representative Director
Tsutomu Fukui
President and Representative Director
Nobuo Ogawa
Executive Managing Director
Hiroshi Shimizu
Director
Kenichi Kojiyama
Director
Haruyuki Yoshizawa
Outside Director
Kenji Oono
Auditor
Hiroshi Umemoto
Outside Auditor
Katsunori Sugimoto
Outside Auditor

EXECUTIVE OFFICERS

Masataka Harima
Hiroshi Nakaoka
Takashi Tsujiuchi
Shinichi Matsuo
Shigeyoshi Tanabe
Yoshiteru Yano
Yoshiki Enomoto
Shu Kitaguchi

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CORPORATE FACTS

(As of March 31, 2016)
Established: July 1964
Employees: 637
Paid-in capital: ¥7,081 million
Authorized shares: 34,000,000
Issued and outstanding shares:
14,850,000
Shareholders: 7,766
Stock listing: Tokyo Stock Exchange

(As of March 31, 2016)

Major shareholders	Thousands of shares
State Street Bank and Trust Company	1,885
Tokuzo Inoue	1,847
Gigapalace Inc.	1,472
The Icom Foundation	1,000
JVC KENWOOD Corporation	445
The Master Trust Bank of Japan, Ltd.	363
Meiji Yasuda Life Insurance Company	326
Japan Trustee Service Bank, Ltd.	314
JPMorgan Chase & Co.	304
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	256